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1 WILHELMENIA J. TAYLOR

2 that point. If anybody, anybody in  
3 Pittsburgh or here wants to go first with  
4 their questions.

5 MR. NOSTRAMO: Get started and go as  
6 far as you can.

7 MR. LABOVITZ: Please begin.

8 Q Ms. Taylor, I went through some of

9 your background information yesterday, I'm not  
10 going to cover that again today.

11 I wanted to ask you again if you  
12 agree to testify on behalf of Metropolitan Life as  
13 to its position regarding the Accelerated Payment  
14 Plan, pursuant to Pennsylvania Rule 407.1E,  
15 regarding corporate designees?

16 A Yes.

17 Q Ms. Taylor, could you define the term  
18 Accelerated Payment Plan?

19 MS. TAYLOR: Objection as to form.

20 MR. LABOVITZ: Join.

21 A The Accelerated Payment Arrangement  
22 is an option, optional way of customers paying  
23 premiums versus paying them out-of-pocket. The  
24 customer is using dividends to pay their premiums.

25 Q What I just asked you about,

8

1 WILHELMENIA J. TAYLOR

2 Q When did the Accelerated Payment Plan  
3 first come to be at Metropolitan Life?

4 A My recollection is that was about  
5 1980.

6 Q Why did Metropolitan Life start using  
7 or offering the Accelerated Payment Plan?

8 MS. TAYLOR: I just want to make an

9 outstanding objection, in that I think Ms.  
10 Taylor said she would use the term  
11 "Accelerated Payment Arrangement". I don't  
12 want to interrupt you and object to form as  
13 to every question. Go ahead.

14 MR. LABOVITZ: I join in that.

15 MR. BARTHOLOMAEI: I think Ms. Taylor  
16 said up until the point sometime in the  
17 '80s they used the term "Accelerated  
18 Payment Plan". I think when it was first  
19 started it was also called the Accelerated  
20 Payment Plan. In other documents,  
21 Arrangement as well. That's what it was at  
22 the time.

23 MS. TAYLOR: I think both terms were  
24 used if you look at documents. What  
25 happens, on the team they decided, let's

1 WILHELMENIA J. TAYLOR

2 all use one term. I do think arrangement  
3 was also, it's not as if it was one word  
4 and then suddenly it was changed.

5 Anyway, let's just move on.

6 MS. TAYLOR: I agree.

7 Q I was asking you about when the  
8 Accelerated Payment Plan or Arrangement was first

9 being used at Metropolitan Life and why they  
10 offered that Accelerated Payment Plan?

11 A All though I wasn't involved with the  
12 Accelerated Payment Arrangement or Plan when it  
13 was initially introduced, I believe that it was  
14 just another option to pay premiums that was  
15 offered to customers. It was just another option  
16 to paying premiums out-of-pocket.

17 Q Did you say an option that would give  
18 them a chance, instead of paying premiums  
19 out-of-pocket?

20 A They could continue to pay premiums  
21 out-of-pocket or choose the Accelerated Payment  
22 Arrangement if and when they become eligible for  
23 it.

24 Q What does that mean, become eligible  
25 for it?

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1 WILHELMENIA J. TAYLOR

2 A The Accelerated Payment Arrangement  
3 was paid on the use of dividends and because  
4 dividends weren't guaranteed, customers may or may  
5 not have been eligible to participate in the plan  
6 based on the dividends in their policy.

7 Q How did one become eligible? Is that  
8 something you could define?

9 A How did one become eligible? The  
10 policy become eligible to participate in the plan  
11 based on the dividends that were credited in the  
12 plan over time.

13 Q Was there some type of mathematical  
14 formula or a certain point that defined when the  
15 policy become eligible with participation in the  
16 plan?

17 A I'm not sure about a mathematical  
18 formula, but when a policy was, when someone  
19 requested AP eligibility, a test was done to  
20 determine if there was enough dividends in the  
21 policy and based on the current year's dividend  
22 scale would that policy be eligible to participate  
23 in it in the AP Arrangement. I don't know about  
24 the calculations behind that test.

25 Q Is there a certain percentage or a

14

1 WILHELMENIA J. TAYLOR

2 perform the test for eligibility?

3 A It's my recollection that both the  
4 sales representatives and the service centers were  
5 able to perform the test when the eligibility  
6 software became available. I don't recall if  
7 someone came in prior to that software being  
8 available, how they would determine eligibility.

9 Probably a manual process at the head offices.

10 Q When did the software became  
11 available?

12 A I believe sometime in 1988, early  
13 '88.

14 Q Who was it that designed that  
15 software?

16 A I think it was our actuarial  
17 department.

18 Q Can you give me the names of any  
19 people that were involved with that?

20 A I believe Mike Levine was involved in  
21 creating the software.

22 Q Anybody else?

23 A That's the only name I can remember.

24 Q Have you heard the term "vanishing  
25 premium"?

15

1 WILHELMENIA J. TAYLOR

2 A Yes.

3 Q What's the difference between  
4 vanishing premium and the Accelerated Payment  
5 Plan?

6 MS. TAYLOR: Objection as to form.

7 MR. LABOVITZ: Join.

8 A I think --

9 Q Is there a difference?

10 A I think the word "vanishing premium"  
11 is more of an industry term or using dividends in  
12 the way I described the Accelerated Payment works.  
13 The insurance industry used that term more to  
14 describe that process.

15 Q Was that a term used at Metropolitan  
16 Life?

17 A I think I've seen, it was used in  
18 internal memorandums, but basically we used the  
19 term "Accelerated Payment Arrangement" when we  
20 spoke to our customers and reps mostly. That term  
21 was used somewhat.

22 Q When you are referring to internal  
23 memorandums, what does that mean?

24 A Memorandums between me and another  
25 staff member, between one Metropolitan Life person

16

1 WILHELMENIA J. TAYLOR

2 and another Life person. Memorandums to a  
3 customer.

4 Q What would be the reason to use the  
5 term "vanishing premium" as opposed to Accelerated  
6 Payment Plan or Arrangement?

7 A We may use the term to say the  
8 Accelerated Payment Arrangement, also known in the

9 industry as vanishing premium. Something like  
10 that.

11 Q Was the term "vanishing premium" used  
12 at Metropolitan Life to describe any of its  
13 products?

14 A Not that I can recall. It could be  
15 in memorandums. I didn't readily use it to  
16 describe a product.

17 Q Can you give me a definition of a  
18 vanishing premium?

19 A As I said before. I believe the  
20 industry used vanishing premium to describe the  
21 use of dividends sometime in the future to pay  
22 premiums on the policy.

23 Q Did Metropolitan Life produce any  
24 illustrations which contained the term "vanishing  
25 premium"?

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1 WILHELMENIA J. TAYLOR

2 customer would be receiving a paid-up policy?

3 A No.

4 Q Was the Accelerated Payment Plan used  
5 as a marketing tool to market policies to  
6 customers?

7 A It's my recollection that the  
8 Accelerated Payment Arrangement, because it

9 provided some flexibility to customers, the  
10 payment of their premiums, that it was used in the  
11 marketing of life insurance.

12 Q Did Metropolitan Life have any type  
13 of tracking system to determine if a policy had  
14 been sold using an Accelerated Payment Plan  
15 illustration?

16 A Did the company? I don't believe the  
17 company had a tracking system to know if the  
18 representative used an Accelerated Payment  
19 illustration, no.

20 Q Was there any way for the company to  
21 determine whether the sales representative had  
22 used an Accelerated Payment Plan illustration in  
23 the sales process?

24 A Not that I can recall.

25 Q What had to occur for a policy to



21

1 WILHELMENIA J. TAYLOR

2 perform as illustrated in the Accelerated Plan  
3 illustration?

4 MS. TAYLOR: Objection as to form.

5 MR. LABOVITZ: Join.

6 Q For example, did the dividend sale  
7 have to remain the same throughout the life of the  
8 illustration or did the interest rates remain the

9 same? I'm wondering what variables had to remain  
10 constant for the Accelerated Payment Plan to  
11 remain as illustrated?

12 MS. TAYLOR: Objection as to form.

13 MR. LABOVITZ: Join.

14 A The best way I can answer your  
15 question is the AP illustration dealt, the sales  
16 illustration dealt with the AP Arrangement by  
17 showing the customer on the illustration that if  
18 that current year's dividend remained the same  
19 throughout the life of the contract, then the  
20 policy would be eligible for the Accelerated  
21 Payment Arrangement.

22 Q What happened if the dividend changed  
23 in the future, the dividend was different the next  
24 year?

25 A If the dividend was different the

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1 WILHELMENIA J. TAYLOR

2 customer, the AP year could be changed to be more  
3 or less.

4 Q In the event the dividend rate  
5 changed after the illustration was produced and  
6 shown to the customer, were customers contacted to  
7 let them know that the AP year would change?

8 MR. LABOVITZ: Objection as to form.

9 MS. TAYLOR: Objection as to form.

10 A What period of time are we talking  
11 about?

12 Q Any period of time, it doesn't  
13 matter.

14 A Because the illustration clearly  
15 stated that the dividends weren't guaranteed and  
16 that the AP year was based on dividends and they  
17 weren't guaranteed.

18 If a dividend changed the next year  
19 or one year, we did not send out a letter to the  
20 customer to tell the customer that the AP year had  
21 changed, even if the AP year was shorter or  
22 longer, because the customer had the option of  
23 either asking for that Arrangement or not asking  
24 for that Arrangement.

25 Q You say asking for the Arrangement --

26

1 WILHELMENIA J. TAYLOR

2 A They could read it in the newspaper.

3 Q Was that something that was  
4 advertised in newspapers?

5 A Not necessarily by Metropolitan Life,  
6 but the whole idea of not paying all your premiums  
7 out-of-pocket for the life of the contract,  
8 customers could have read that idea anywhere and

9 asked us about it.

10 Q Did Metropolitan Life advertise the  
11 Accelerated Payment Plan or Arrangement in  
12 newspapers or other publications?

13 A Not that I'm aware of.

14 MS. TAYLOR: Objection as to form,  
15 lack of foundation.

16 Q How were policyholders advised if the  
17 company dividend rate changed?

18 A I don't think we used the term  
19 "dividend rate" when talking to customers, but --

20 Q What's a better term?

21 A The dividend scale.

22 The company, we didn't send something  
23 out to customers that the dividend scale changed.  
24 We informed them of what their dividend was for  
25 that particular year.

27

1 WILHELMENIA J. TAYLOR

2 Q How were they informed of that?

3 A Either one, billing, anniversary-type  
4 statements to the customer.

5 MR. BARTHOLOMAEI: I think I need to  
6 take a break.

7 (RECESS TAKEN) (AFTER RECESS) .

8 Q Ms. Taylor, before the short break I

9 was asking you, was a customer notified about what  
10 you call the dividend scale. You said they would  
11 find out about that whatever the dividend was  
12 through the anniversary statement; is that right?

13 MS. TAYLOR: I think she also said  
14 billing notices.

15 Q Let me ask a different question.

16 Earlier you had said that if the  
17 dividend sale changed, their AP year could change.  
18 Then I asked how would they find out about the  
19 billing scale, you said anniversary statement or  
20 billing statement.

21 I'm asking how would they find out  
22 how the AP year changed?

23 MS. TAYLOR: Objection as to form.

24 Lack of foundation. I think you are  
25 mischaracterizing the testimony.

28

1 WILHELMENIA J. TAYLOR

2 A If a customer was operating on the AP  
3 Arrangement, they were told if they were no longer  
4 eligible for AP required out-of-pocket premiums.  
5 Is that what you are referring to?

6 Q My understanding, there would be a  
7 certain year when the dividends would be enough to  
8 pay the premiums, they wouldn't have to pay

9 anymore premiums out-of-pocket. Is that right?

10 MS. TAYLOR: Objection as to form.

11 MR. LABOVITZ: Join.

12 A No, that's not right.

13 Q Earlier you used the term "AP year".  
14 What does that mean?

15 A I believe I was referring to the year  
16 illustrated on the sales illustration as to when  
17 the AP Arrangement may be requested by the  
18 customer based on that year's dividend scale.

19 Q You say may be requested. Is that  
20 the same thing as when the year would be eligible  
21 for the AP plan?

22 A It may be eligible, but of course,  
23 like I said before, it all depended how dividends  
24 formed. The dividends weren't guaranteed. That  
25 may be the year.

29

1 WILHELMENIA J. TAYLOR

2 Q Let me show you a document.

3 MS. TAYLOR: For the purpose of  
4 everyone's information, Taylor 1 is a documented  
5 entitled A Proposed Strategy for the Accelerated  
6 Payment Plan (APP), prepared by Wilhemenia Taylor  
7 and Jacqueline Thoresz. Bates number is MP  
8 4011003489 through 3498.

9 There is another Bates number which  
10 is M0 59701650694 through 703.

11 (Document titled A Proposed  
12 Strategy for the Accelerated Payment Plan (APP),  
13 November 18, 1993, is received and marked Taylor 1  
14 for identification.)

15 Q Ms. Taylor, have you seen this  
16 document before?

17 A Yes.

18 Q As Ms. Taylor, counsel, just said,  
19 this was prepared by yourself and Ms. Thoresz.

20 Can you tell me which part of this  
21 document you prepared or are there specific parts  
22 of this document you prepared?

23 A It's my recollection that we really  
24 did it together. It wasn't like she took half and  
25 I took another half. She was part of the natural

30

1 WILHELMENIA J. TAYLOR

2 work team, we just worked on this document  
3 together.

4 Q What was the reason for the creation  
5 of this document?

6 A Jackie and I believed we needed to  
7 take a look at the Accelerated Payment  
8 Arrangement. We had been hearing questions from

9 the field. We had hired new reps who were  
10 servicing existing customers and they had  
11 questions about how the Arrangement worked.

12 Dividends went down in 1992 and that  
13 was the first time I can remember that dividends  
14 had went down. We wanted to be proactive and  
15 provided what information we could to the reps and  
16 our customers as well as make sure our systems  
17 were working correctly with respect to the AP  
18 Arrangement. That's what I could recollect.

19 Q What was the significance of  
20 dividends going down in 1992 with respect to the  
21 Accelerated Payment Plan?

22 A It was, the Accelerated Payment Plan  
23 is dependent on dividends. 1992 was the first  
24 year at Metropolitan Life that I remember that the  
25 dividends actually went, the dividend scale went

31

1 WILHELMENIA J. TAYLOR

2 down. That would have an impact or could have an  
3 impact on certain customers becoming eligible for  
4 the AP Arrangement.

5 Q Is it possible that any of the  
6 Accelerated Payment Plan illustrations were  
7 performed as illustrated where the illustration  
8 was generated prior to 1992?

9 MS. TAYLOR: Objection as to form.

10 MR. LABOVITZ: Join.

11 A Could you ask that question again.

12 Q Were any of the illustrations hold  
13 true where the illustration was generated prior to  
14 1992?

15 MS. TAYLOR: Objection as to form.

16 MR. LABOVITZ: Join.

17 A Based on the scales -- you say prior  
18 to 1992.

19 It's my recollection prior to 1992  
20 the dividend scale had been going up, either going  
21 up or remaining the same. So it's very possible  
22 that policies that were illustrated with the AP  
23 arrangement were fine. Some of them may have had,  
24 1992 dividend scale may have had an impact, that  
25 was one year. We wanted to make sure we were



33

1 WILHELMENIA J. TAYLOR

2 year, that current year's dividend. If the  
3 current year's dividend was a lower number than  
4 1992 and this is the first time a dividend ever  
5 went down, those policies that were illustrated  
6 that way could be fine.

7 Q What about the policies that were  
8 sold in 1991, what would happen with respect to  
9 those policies?

10 A Those policies may have been impacted  
11 by the 1992 dividend scale. But if it was only  
12 one year, the scale could have gone up in 1993 or  
13 some subsequent year and made up for any  
14 deficiencies on the dividend balances.

15 Q Did the scale go up in 1993?

16 A No, it went down in 1993.

17 Q When was the next time the scale ever  
18 went up or did it go up again?

19 A I don't believe it ever went up  
20 again. I think it stayed the same in 1995, it  
21 didn't change.

22 MS. TAYLOR: I don't know if she  
23 knows without showing her a document that  
24 shows the dividend history, that she  
25 necessarily remembers every year since